



**Minutes of the Real Estate and Timberland Committee Remote Meeting
Wednesday, May 8, 2024**

Committee members attending:

- Jill Hatton, CRE, Chair
- Treasurer Deborah Goldberg
- Lydia Chesnick, Esq.
- Jack Lutz, Ph.D.
- William McCall
- Garlan Morse, Jr., CRE
- Carly Rose

Committee members not attending:

- Robert Gifford
- Peter O'Connell

The PRIM Real Estate and Timberland Committee meeting was called to order at 9:31 a.m. Chair Jill Hatton announced that the meeting would be held in accordance with the provisions of Massachusetts Acts of 2022, Chapter 22, which was most recently amended on March 29, 2023, to include an extension of the 2020 Executive Order 'Suspending Certain Provisions of the Open Meeting Law' until March 31, 2025." All members of the Committee will participate remotely via audio/video conferencing, and public access to the deliberations of the Committee will likewise be provided via telephone, with all documents referenced at the meeting available to be viewed on PRIM's website (www.mapension.com). At the start of the meeting the names of the members participating remotely were announced.

I. Approval of the Minutes (Voting Item)

The PRIM Real Estate and Timberland Committee approved (unanimously) by roll call vote the minutes of its January 31, 2024, meeting.

II. Executive Director/Chief Investment Officer Report

Michael G. Trotsky, CFA, Executive Director, and Chief Investment Officer, made comments to the Committee, including:

Mr. Trotsky began by reporting to the Committee how pleased he was that the PRIT Fund achieved a record balance of \$104.2 billion for the quarter ended March 31, 2024, PRIM's third fiscal quarter. This is the largest balance in the history of the PRIT Fund. The markets were strong, and the U.S. economy continues to grow, albeit at a slower pace. For the March quarter, the PRIT Fund was up 3.7% gross (3.6% net), and for the trailing twelve months, the PRIT Fund was up 11.4% gross (10.9% net). This return equates to a net investment gain of \$10.3 billion for the trailing twelve months; net outflows to pay benefits were \$655 million. He mentioned he would talk more about performance later in his presentation.

Organizational Update

Mr. Trotsky announced that **Raluca Zelinschi** joined the Real Estate and Timberland team as an Investment Officer, reporting to John La Cara, Senior Investment Officer, Real Estate and Timberland, Director of Listed Real Estate and Debt Capital Markets. She will help the team cover the private and public real estate portfolios and the timberland investments. Before joining PRIM, Ms. Zelinschi was an Associate Director of Portfolio Management at Intercontinental Real Estate, where she worked on a \$3 billion private real estate portfolio invested across various sectors and geographies. Prior to that, Ms. Zelinschi held positions at STAG Industrial, a publicly traded real estate company, and AEW Capital Management. In addition to holding a CFA, she earned a Master's degree in International Economics & Finance from the International Business School at Brandeis University and a Bachelor's degree in

Economics & Political Science from Whittier College. She is off to an outstanding start, and PRIM is delighted to have her.

Eliza Haynes on the Private Equity team recently passed the CFA Institute’s level three exam and Ms. Haynes is now a Chartered Financial Analyst. He reminded the Committee that at the last Board cycle, Ms. Haynes was promoted to Investment Officer on the Private Equity team. He congratulated her on all her hard work and described her as one of PRIM’s rising stars.

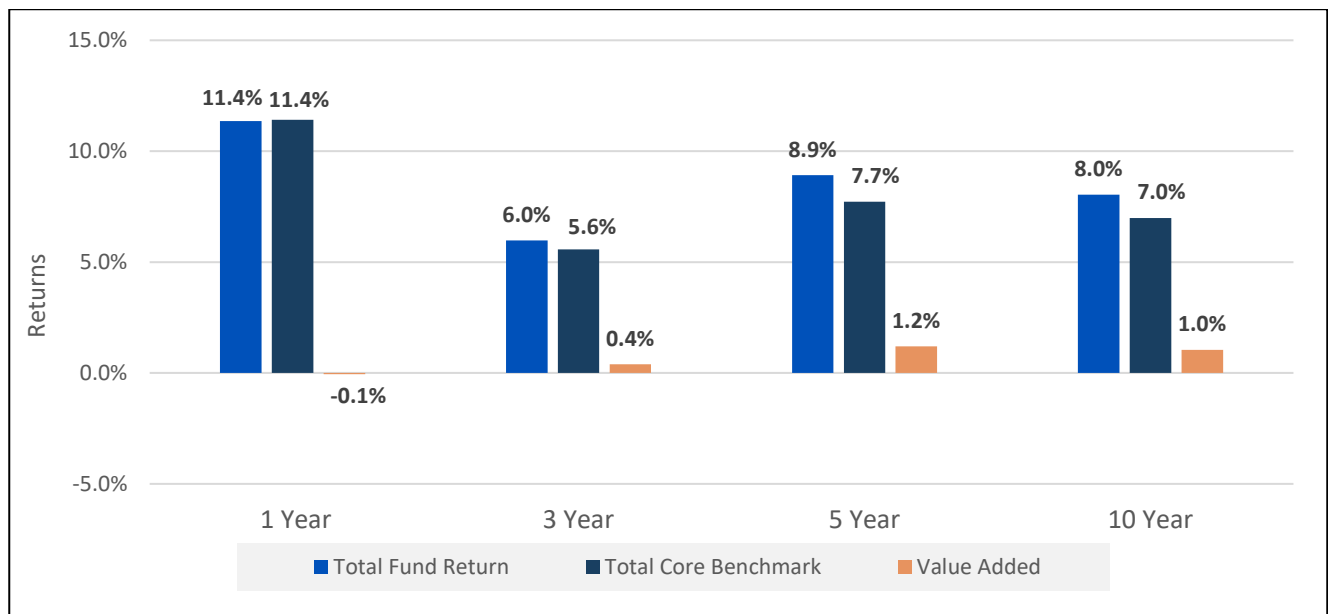
He completed his organizational update by informing the Committee that in April, The Allocator from With Intelligence Media would be honoring him with its Lifetime Achievement Award in October. Mr. Trotsky continued stating that this recognition reflects everyone’s work at PRIM and is a collective accomplishment and thanked the Committee for their dedication and support. Mr. Trotsky added that the publication called MassPRIM “a beacon of public service and investment prowess for the people of the Commonwealth of Massachusetts.” It also lauded PRIM as “one of the country’s best public investment operations over nearly 15 years of service.”

PRIT Fund Performance

Mr. Trotsky discussed the March 2024 PRIT Fund performance in more detail, referencing performance charts from Appendix B of the Expanded Agenda, a sample of which is as follows:

Total PRIT Fund Returns

Annualized Returns as of March 31, 2024 (Gross of Fees)

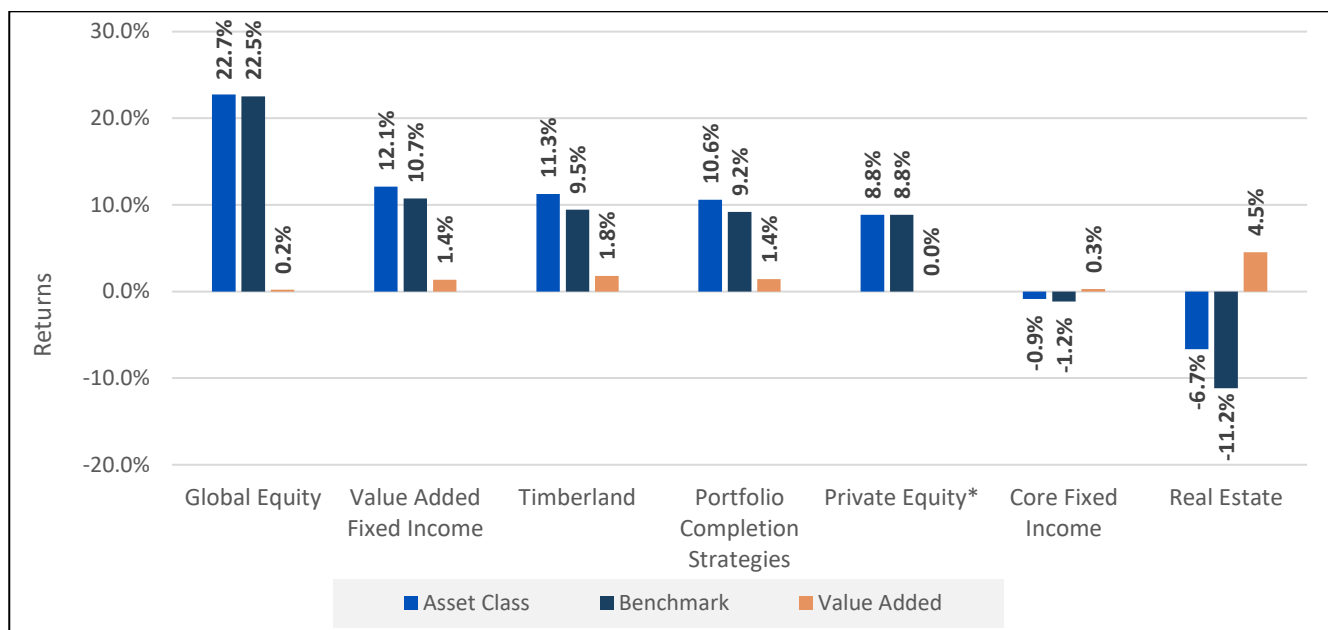


Source: BNY Mellon. Total Core Benchmark includes private equity benchmark.

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PRIT Asset Class Performance Summary

One Year ended March 31, 2024 (Gross of Fees)



Source: BNY Mellon. Totals may not be added due to rounding. *Benchmark is actual performance.

PRIT Fund Annualized Returns By Asset Class

(March 31, 2024 - Gross of Fees)

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 22.7%	PRIVATE EQUITY 14.6%	PRIVATE EQUITY 20.2%	PRIVATE EQUITY 18.7%
VALUE-ADDED FIXED INCOME 12.1%	TIMBER 10.2%	GLOBAL EQUITY 11.1%	GLOBAL EQUITY 8.9%
TIMBER 11.3%	REAL ESTATE 6.9%	TIMBER 6.8%	REAL ESTATE 8.2%
PORTFOLIO COMPLETION STRATEGIES 10.6%	GLOBAL EQUITY 6.8%	REAL ESTATE 6.3%	TIMBER 6.1%
PRIVATE EQUITY 8.8%	VALUE-ADDED FIXED INCOME 6.0%	VALUE-ADDED FIXED INCOME 6.1%	VALUE-ADDED FIXED INCOME 5.0%
CORE FIXED INCOME (0.9%)	PORTFOLIO COMPLETION STRATEGIES 4.5%	PORTFOLIO COMPLETION STRATEGIES 4.6%	PORTFOLIO COMPLETION STRATEGIES 3.8%
REAL ESTATE (6.7%)	CORE FIXED INCOME (3.6%)	CORE FIXED INCOME 0.3%	CORE FIXED INCOME 2.4%

Source: BNY Mellon

Markets

Mr. Trotsky mentioned that the economy's strong fundamentals, which propelled the markets in the March quarter, recently turned more tepid. He added that GDP growth was reported lower, inflation was higher, and the unemployment rate was slightly higher, causing a change in consensus among Fed

watchers, who now believe there will be only one rate cut this year, where previously they were expecting four or more.

Mr. Trotsky made note of the following:

- U.S. GDP expanded an annualized 1.6% in Q1 2024, compared to 3.4% in the previous quarter and below forecasts of 2.5%. The lowest growth since the contractions in the first half of 2022.
- The U.S. Consumer Price Index accelerated for a second straight month to 3.5% in March, the highest since September. This was compared to 3.2% in February and forecasts of 3.4%. Compared to the previous month, the CPI rose by 0.4%, the same as in February, but it was above forecasted at 0.3%.
- The U.S. unemployment rate edged up to 3.9% in April from 3.8% in the previous month, surprising market expectations, which forecasted the rate to remain unchanged. The number of unemployed individuals increased by 63,000 to 6.492 million. The labor force participation rate was also unchanged at 62.7%, and the employment-population ratio decreased to 60.2% from 60.3%.
- The Federal Reserve kept the target range for the Federal Funds Rate at its 23-year high of 5.25%-5.50% for a sixth consecutive meeting in May, which was in line with expectations. Policymakers acknowledged that while inflation has moderated over the past year, it remains elevated, and there has been a notable lack of further progress toward achieving the central bank's goal in recent months. Still, Chair Powell stated that he does not foresee a hike as likely and believes the current policy is sufficiently restrictive to achieve the 2% inflation target.
- Market volatility has slightly risen year-to-date as the VIX Index increased slightly from 12.45 to 13.49 as of May 3, 2024. This is well below the 5-year and 10-year averages of 21 and 18, respectively.
- The ISM Manufacturing U.S. PMI fell to 49.2 in April from 50.3 in the earlier month, firmly below market expectations of a stall.
- U.S. retail sales rose 0.7% month over month in March, following an upwardly revised 0.9% gain in February, which was much higher than forecasted at 0.3%, suggesting consumer spending remains robust.
- U.S. Housing Starts plunged 14.7% month over month to an annualized rate of 1.321 million in March. This is the lowest reading since August and the largest decline since April 2020, as a rise in mortgage rates weighed on potential buyers.
- The University of Michigan's Consumer Sentiment was revised lower to 77.2 in April. Both current conditions and expectations declined more than initially expected.

Mr. Trotsky concluded his remarks by sharing with the Committee a conversation he had with Dan Fuss, the legendary bond investor who spent most of his career at Loomis Sayles. He explained that at 92 years old, Mr. Fuss continues to come into his office in downtown Boston every day, attending the Loomis morning investment team meeting. Mr. Trotsky explained how Mr. Fuss is an important voice to the investment industry and has been a sought-after speaker for investment conferences and events for almost 70 years. Mr. Trotsky mentioned that if Mr. Fuss were going to give a speech today, for the first time in his career, he would not lead with the typical subjects (interest rate risk, GDP, the FED, etc.). Instead, he would outline what he currently believes to be the three biggest risks that investors face today, and they are very different from what he would have typically focused on in the past. Mr. Trotsky added that Mr. Fuss mentioned the main risks as follows: 1) climate risk, 2) geopolitical risks, and 3) domestic political risks. He relayed that Mr. Fuss added that we live in a much different investment environment where the largest risks are hard to analyze and forecast. Mr. Trotsky mentioned that they agreed the only thing investors can do, considering these new major risks, is to diversify their portfolios— engineer a portfolio with components that will perform well regardless of the future. Mr. Trotsky concluded his comments by saying this is exactly what PRIM tries to do. PRIM

does not try to forecast the future and focuses on having components in the portfolio that will perform well no matter what the future brings. PRIM focuses on risk, return, and cost for each investment. PRIM's portfolio is carefully designed to weather whatever the future brings.

III. Performance Review and Market Summary

Timothy V. Schlitzer, CFA, CRE, Director of Real Estate, introduced and welcomed Raluca Zelinschi, CFA, Investment Officer, who joined the team in February. He then updated the Committee on performance and markets.

Real Estate

Mr. Schlitzer summarized Real Estate performance. Total Real Estate returned -6.7% for the one-year period resulting in benchmark outperformance of approximately 452 basis points. The net asset value was \$9.9 billion, which is 9.5% of the PRIT fund. The private portfolio returned -7.9%, outperforming the benchmark by 481 basis points. Mr. Schlitzer went on to say that he is pleased with PRIM's investment managers and that the positioning of the portfolio has resulted in strong market outperformance. The primary return drivers within the private portfolio, which represents approximately 90% of PRIM assets, have been an underweight to suburban office buildings and the traditional office sector as a whole, underweights to several underperforming west coast markets, and PRIM's industrial overweight and asset quality. He explained that the negative absolute returns are primarily being driven by increases in interest rates and slowing fundamentals. These are impacting the entire market as the Federal Reserve continues to target inflation and are impacting real estate fundamentals. Lastly, Mr. Schlitzer stated that REITs were up 9% for the year, with PRIM outperforming the benchmark by 59 basis points.

Timberland

Mr. Schlitzer stated that Timberland had a strong year on both an absolute and relative basis with returns of 11.3% or 181 basis points above benchmark. All of PRIM's regional segments showed strong returns ranging from 8-13%. The market continues to see heightened investor demand and overall transaction activity at increased pricing levels. Staff continue to review investment opportunities for PRIM's portfolio.

IV. Issuance of a Request for Proposals (RFP) for U.S. REIT Investment Management Services (Voting Item)

John F. La Cara, Senior Investment Officer, Real Estate and Timberland, Director of Listed Real Estate and Debt Capital Markets, informed the Committee that PRIM would be seeking approval to issue an RFP for U.S. REIT Investment Management Services. The purpose of the RFP is to select one or more firms to provide public long-only U.S. REIT Investment Management Services via separate account vehicles. He explained that a successful RFP process will improve portfolio diversification and increase the depth of investment managers. Mr. La Cara went on to say that it was anticipated that the RFP would be issued shortly after the Board meeting at the end of the month and a recommendation would be made to the Real Estate Committee at the Q4 2024 meeting. The shift to a U.S. only strategy from a global strategy is consistent with the Asset Allocation Recommendation approved by the PRIM Board last February, which concluded that U.S. REITs are more favorable to the PRIT Fund with respect to diversification, the risk-return profile, correlation with equities, and quantitative appraisal ratio analysis. In accordance with this Asset Allocation Recommendation, staff will convert existing global REIT mandates to a U.S. only mandate soon after revising certain language in the investment management contracts. Mr. La Cara also acknowledged Andre Abouhala's assistance during this process. Mr. La Cara responded to a Committee Member's inquiry about the anticipated response to the RFP. He stated that they are still refining the minimum qualification requirements in the RFP, but the objective is to cast a wide net and solicit responses from a large portion of prospective respondents.

The PRIM Real Estate and Timberland Committee meeting adjourned at 10:18 a.m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Real Estate and Timberland Committee Meeting of January 31, 2024*
- *PRIT Fund Performance Report (March 31, 2024)*
- *BNY Mellon Gross of Fees Performance Report (March 31, 2024)*
- *Real Estate and Timberland Performance Charts*

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